

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO
GRAND CANE, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2011

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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December 31, 2011

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Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Grand Cane, Louisiana

I have audited the accompanying basic financial statements of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, a component unit of DeSoto Parish Police Jury, as of and for the year ended December 31, 2011 as listed in the table of contents. These component unit financial statements are the responsibility of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of the Parish of DeSoto, as of December 31, 2011, and the changes in its net assets and its cash flows the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued a report dated June 5, 2012 on my consideration of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, reading "Marsha O. Milligan". The signature is written in a cursive, flowing style.

Certified Public Accountant
June 5, 2012

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had total assets of \$25,527,376 at year end which represents an increase from the prior year of \$3,612,378.

The District's net assets increased \$3,612,378 for the current year.

During the year ended December 31, 2011, the District reduced its long-term debt by \$394,332.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless if when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the District's net assets and changes in them. You can think of the District's Net Assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Assets

Net assets may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$16,159,342 as of December 31, 2011.

The District's major assets are its fixed assets of \$16,358,568 representing its investment in its water distribution system and water treatment plant. The District owed \$9,121,987 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

\$4,513,261 (28%) of the District's net assets is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

Waterworks District No. 1 of the Parish of DeSoto Statement of Net Assets December 31, 2011

	2011	2010
Current assets	\$ 4,272,798	\$ 2,980,321
Other assets	4,896,010	3,355,520
Capital Assets, net of depreciation	16,358,568	16,193,402
Total Assets	25,527,376	22,529,243
Accounts payable and accrued expenses	51,472	375,005
Bonds payable	9,121,987	9,516,319
Other liabilities	194,475	90,855
Total Liabilities	9,367,934	9,982,179
Invested in capital assets, net of related debt	7,754,406	6,677,083
Reserved for construction	2,012	57
Reserved for bond retirement	4,513,261	3,023,825
Board designations	238,969	181,464
Reserved for customer deposits	37,475	36,897
Unrestricted	3,613,219	2,627,738
	\$ 16,159,342	\$12,547,064

Waterworks District No. 1 of the Parish of DeSoto
Statement of Changes in Net Assets
December 31,

	2011	2010
Operating Revenues	\$ 2,310,003	\$ 1,847,101
Operating Expenses	1,716,083	1,396,995
Operating Income	593,920	450,106
Non-operating Income/Expense	3,018,458	2,006,139
Changes in Net Assets	\$ 3,612,378	\$ 2,456,245

The District's total operating revenues increased by \$462,902 from the previous year. The total operating expense increased by \$319,088 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had \$16,358,568 net of depreciation, invested in its capital assets. This amount represents a net decrease of \$165,166 as a result of additions of \$682,318 and depreciation expense of \$517,152.

Capital Assets at Year End
(Net of Depreciation)

	2011	2010
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	344,035	199,680
Office Building	329,773	310,802
Water System	20,212,849	19,724,736
Total	20,891,615	20,240,176
Less: Accumulated Depreciation	4,533,047	4,046,774
Net Fixed Assets	\$ 16,358,568	\$ 16,193,402

Debt

The District had in long-term debt as follows:

	Balance 1/1/2011	Drawdowns	Payments	Balance 12/31/2011
GAO Bonds	\$4,501,000	\$ -	\$ 551,000	\$3,950,000
2001 Revenue Bonds	1,318,435	-	19,579	1,298,856
DEQ Bonds	1,620,000		65,000	1,555,000
2006 Revenue Bonds	424,884		5,277	419,607
DEQ 2010 Revenue Bonds, B	1,652,000		108,000	1,544,000
DEQ 2010 Revenue Bonds, A	-	354,524	-	354,524
Totals	<u>\$9,516,319</u>	<u>\$ 354,524</u>	<u>\$ 748,856</u>	<u>\$9,121,987</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting next year's rates and fees. These factors and indicators include: long-term debt, cost of operations and number of customers.

The Water District continues to see benefits from the Haynesville Shale production, not only in commercial water sales, but also overall growth in the Parish. Even as demand for commercial water is somewhat slowing, demand for homeowner and business connections remain steady. 2011 was the first year that we used our new Membrane Filtration process for the entire year, doubling our production capability to one million gallons per day. This was financed in part by AARA bonds that were at historic low rates and also rebated back to us 35% of the loan amount saving the District thousand of dollars in interest and principal payments. The District was also able this past year to completely replace our fleet of vehicles by purchasing 5 new trucks for our field crews. This was paid for at time of purchase so we have no outstanding debt on the new vehicles. In addition, we assumed operation of part of a smaller system last year that was struggling to provide water to their customers. Looking ahead, we see continued growth for the District in both residential and commercial sales, and are planning a further expansion of both our plant and distribution network. Our Board looks to growth but with conservative thought so we can remain fiscally solid in the future. 2011 was also our first complete year in our new office complex that also was paid for at time of construction.

We are fortunate to have a very good Board that looks out for the needs of the community and the District, as well as supporting what we feel is the best staff in the State. Our employees are loyal to the District and are dedicated to making Waterworks the best it can be.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Waterworks District No. 1 of the Parish of DeSoto's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert Wells, 320 Liberty Lane, Grand Cane, Louisiana 71032, or by calling (318) 872-0004.

Statement of Net Assets

December 31, 2011AssetsCurrent Assets

Cash	\$ 644,041
Taxes Receivable	3,490,119
Accounts Receivable (Net)	104,830
Prepaid Insurance	31,680
Total Current Assets	<u>4,270,670</u>

Other Assets

Restricted Assets

Cash	14,009
Investments	4,779,936
Deposits	800
Fixed Assets (Net)	16,358,568
Bond Issuance Costs	103,393
Total Other Assets	<u>21,256,706</u>

Total Assets	<u>\$ 25,527,376</u>
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Liabilities and Net AssetsLiabilitiesCurrent Liabilities

Accounts Payable and Accrued Expenses	\$ 51,472
Current Portion of Long-Term Debt	799,566
Total Current Liabilities	<u>851,038</u>

Long-Term Liabilities

Customer Deposits Payable	103,791
Long-Term Debt, Net of Current Portion	8,322,421
Accrued Interest Payable	90,684
Total Long-Term Liabilities	<u>8,516,896</u>

Total Liabilities	<u>9,367,934</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	7,754,406
Reserved for Debt Service	4,513,361
Reserved for Construction	2,012
Reserved for Customer Deposits	37,475
Board Designations	238,969
Unreserved	3,613,219
Total Net Assets	<u>16,159,442</u>

Total Liabilities and Net Assets	<u>\$ 25,527,376</u>
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See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 2

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2011

Revenues:	
Ad Valorem Taxes	\$ 570,981
Charges for Services	1,690,656
Miscellaneous Revenues	<u>48,366</u>
Total Revenues	<u>2,310,003</u>
Operating Expenses:	
Personal Services	421,580
Utilities	105,465
Repair and Maintenance	178,197
Other Supplies and Expense	454,184
Insurance	30,420
Depreciation and Amortization	<u>526,237</u>
Total Expenses	<u>1,716,083</u>
Operating Income (Loss)	593,920
Non-Operating Revenues (Expenses):	
Interest Income	7,507
Grants	355,338
Ad Valorem Taxes	3,003,863
Interest Expense	<u>(348,250)</u>
Total Non-Operating Revenues (Expenses)	<u>3,018,458</u>
Change in Net Assets	3,612,378
Net Assets - Beginning of Year	<u>12,547,064</u>
Net Assets - End of Year	<u>\$ 16,159,442</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 3

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2011

Cash flows from operating activities:

Ad valorem taxes received	\$ 401,450
Cash received from customers	1,719,230
Cash payments to suppliers	(1,424,072)
Other operating income	48,366
Net cash provided by operating activities	<u>744,974</u>

Cash flows from capital and related financing activities:

Fixed Asset Purchases	(682,318)
Proceeds from the Sale of Fixed Assets	6,504
Grant Proceeds	355,338
Ad Valorem Debt Service Proceeds	2,107,264
Interest paid on long-term debt	(346,785)
Proceeds of long-term debt	354,524
Principal payments on long-term debt	(748,856)
Net cash provided by capital and related financing activities	<u>1,045,671</u>

Cash flows from investing activities:

Investments in LAMP investments	(2,257,988)
Withdrawals from LAMP investments	719,175
Interest received on investments	(4,942)
Net cash provided by investing activities	<u>(1,543,755)</u>

Net increase in cash 246,890

Cash, beginning of year (including \$6,285 in restricted assets) 411,160

Cash, end of year (including \$14,009 in restricted assets) 658,050

Reconciliation of operating income to net cash provided by operating activities:

Operating income	593,920
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	517,152
Amortization	9,085
Gain on Sale of Assets	(6,504)
Changes in assets and liabilities:	
Increase in taxes receivable	(170,421)
Decrease in accounts receivable	28,574
Increase in prepaid insurance	(5,543)
Increase in customer deposits	12,936
Decrease in accounts payable	<u>(234,225)</u>

Net cash provided by operating activities \$ 744,974

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2011

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No. 2, of the DeSoto Parish Police Jury on July 24, 1969, and as a political subdivision of the DeSoto Parish Police Jury. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, is in the process of constructing a water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system is being funded with revenues from a 5.19 mill ad valorem tax proposition passed by voters on April 5, 1997. A 1.01 mill property tax millage authorized to be levied in the years 1997 through 2006 to subsidize operation and maintenance expenses of the system was also passed April 5, 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments, issued in June, 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting: The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments: Investments are stated at cost which approximates market.

Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts: Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. CASH:

At December 31, 2011, the carrying amount of the District's cash balances totaled \$658,050. The book balance of funds on deposit at banks totaled \$227,078. Bank balances were \$236,442 at year end. Bank balances of \$236,442 were insured by FDIC insurance and bank balances of \$0 were collateralized by securities held by the bank in the name of the District. The District also had cash on deposit at LAMP at year end totaling \$430,972.

3. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2011.

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2011

4. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. For the year ended December 31, 2011, taxes of 6.20 mills were levied with 5.19 mills dedicated to bond retirement and .99 mills dedicated for general operating purposes. Taxes receivable at December 31, 2011 are considered to be fully collectible.

5. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and administered by LAMP, Inc., a nonprofit corporation organized under the law of the State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, U.S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants access to their balances.

At December 31, 2011, restricted funds on deposit with LAMP (at cost) totaled \$4,779,936.

6. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31 2011, totaled \$107,782 less an allowance for doubtful accounts of \$2,952.

7. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$	4,958
Machinery & Equipment		344,035
Office Building		329,773
Water System		20,212,849
		<hr/>
		20,891,615
Less: Accumulated Depreciation		4,533,047
		<hr/>
Net fixed assets	\$	<u>16,358,568</u>

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2011

8. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2011:

	Balance 1/1/2011	Debt Proceeds	Principal Payments	Balance 12/31/2011
GAO Bonds	\$ 4,501,000	\$ -	\$ 551,000	\$ 3,950,000
2001 Revenue Bonds	1,318,435	-	19,579	1,298,856
DEQ Revenue Bonds	1,620,000	-	108,000	1,512,000
2006 Revenue Bonds	424,884	-	5,277	419,607
2010 revenue Bonds - SeriesA	1,652,000		65,000	1,587,000
2010 Revenue Bonds	-	354,524	-	354,524
Balance, 12/31/2011	<u>\$ 9,516,319</u>	<u>\$ 354,524</u>	<u>\$ 748,856</u>	<u>\$ 9,121,987</u>

Bonds and notes payable at December 31, 2011, are comprised of the following:

General Obligation Bonds:

\$9,900,000 bonds dated October 1, 1997, for the purpose of constructing a waterworks system with the first principal payment of \$100,000 due on April 1, 1998; principal payments thereafter ranging from \$265,000 to \$480,000; interest payments are due on April 1, and October 1, annually with interest rates varying from 8% to 4.5% over the life of the bond issue.

\$ 3,950,000

Water Revenue Bonds - 2001:

Dated August 7, 2001, due in one installment of \$68,875 on August 7, 2002, and monthly payments of \$6,815 from September 7, 2002 to August 7, 2041, bearing interest at 4.75%.

\$ 1,298,856

Water Revenue Bonds - 2001 DEQ:

Dated February 19, 2002, first principal payment of \$79,000 due on August 7, 2003, principal payments thereafter ranging from \$83,000 to \$166,000; interest payments are due in February and August, annually, bearing interest at 3.45%.

\$ 1,512,000

Water Revenue Bonds - 2006:

Draws on \$442,000 2006 Water Revenue Bonds, due in monthly payments of \$1,926 beginning June 7, 2006, through May, 2046, bearing interest at 4.25%.

\$ 419,607

Water Revenue Bonds - 2010:

Draws on \$1,652,000 2010 Water Revenue Bonds, first principal payment of \$65,000 due on August 7, 2011, principal payments thereafter ranging from \$67,000 to \$103,000; interest payments are due in February and August annually bearing interest at 2.95%.

\$ 1,587,000

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2011

The annual requirements to amortize above debt outstanding as of December 31, 2011, including interest payments of \$3,082,793 are as follows:

Year Ending December 31	Total
	\$ 1,105,810
2011	1,112,408
2012	1,119,590
2013	1,128,227
2014	1,136,921
2015-2022	6,247,301
Totals	<u>\$ 11,850,257</u>

The District was approved for a loan from the Drinking Water Loan Fund for \$2,360,000. Under the AARA Grant Principal Foregiveness Program, \$780,000 of this loan will be forgiven. Draws on this loan for the year ended December 31, 2011 totaled \$354,524.

9. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 37,475
Construction	2,012
Board Designations	238,969
Debt Service:	-
General Obligation Bonds	4,047,151
Water Revenue Bond - 2001 DEQ	374,685
Water Revenue Bond - 2006	33,028
Water Revenue Bond - 2010	58,497
Total	<u>\$ 4,791,817</u>

10. RETIREMENT PLAN:

The District is a member of the Parochial Employees Retirement System. Under this system, eligible employees contribute 9.5% of their wages and the District contributes 15.75% of eligible wages. District contributions under this plan for the year ended December 31, 2011 were \$42,428 based on eligible salaries of \$269,387.

11. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through June 5, 2012 and determined that no additional disclosures are warranted.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2011

There were no findings for the year ended December 31, 2010.



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Grand Cane, Louisiana

I have audited the component unit financial statements of Waterworks District No. 1 of the Parish of DeSoto as of and for the year ended December 31, 2011, and have issued my report thereon dated June 5, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

810 WILKINSON
SHREVEPORT, LA 71104-3036
(318) 221-3881
FAX: (318) 221-4641

This report is intended solely for the information and use of management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Marsha D. Milne

Certified Public Accountant

June 5, 2012

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies in internal accounting control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

There were no findings for the year ended December 31, 2011.